

Message Text

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EB-11 CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 COME-00

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TO SECSTATE WASHDC 0250

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DEPARTMENT ALSO PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: SHAIKH YAMANI COMMENTS ON THE LEVER PLAN AND RE-
CYCLING OIL SURPLUSES

REF: LONDON 5669

1. FINANCIAL TIMES AND LONDON TIMES MAY 10 REPORTS ON
PRESS CONFERENCE GIVEN BY SHAIKH YAMANI IN LONDON ON MAY 9
IN WHICH YAMANI REPORTEDLY REJECTED IDEAS OF HAROLD LEVER
FAVORING ESTABLISHMENT OF A COLLECTIVE PURCHASING MECHAN-
ISM FOR MIDDLE EAST OIL. UNDER THE LEVER PLAN OIL WOULD
BE RESOLD TO MAIN CONSUMERS AFTER IMPOSITION OF A SMALL
SURCHARGE WHICH IN TURN COULD BE LENT OR GIVEN TO DEVEL-
OPING COUNTRIES THAT HAVE NOT BENEFITTED FROM THE BOOM IN
OIL OR OTHER COMMODITY PRICES.

2. TIMES SAID YAMANI WAS REPORTEDLY EQUALLY UNENTHUSIAS-
TIC ABOUT THE WITTEVEEN PROPOSAL FOR RECYCLING SURPLUS
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FUNDS FROM MAIN OIL PRODUCING COUNTRIES, SAYING SAUDI

ARABIA INVESTED ITS MONEY WITH THE WORLD BANK AND HAD SET UP ITS OWN INVESTMENT FUND TO HELP DEVELOPING COUNTRIES. NOTHING HAD BEEN PUT INTO THE IMF. YAMANI ALSO REPORTEDLY REJECTED IDEA OF ACCEPTING SDRS AS PAYMENT FOR OIL, ADDING THAT NEW FORMS OF PAYMENT HAVE BEEN DEVISED WITH THE SOLE AIM OF RECYCLING THE FINANCIAL SURPLUSES OF THE OIL PRODUCERS BACK TO THE WESTERN ECONOMIES.

3. FINANCIAL TIMES REPORT WAS MORE NUANCED, SAYING YAMANI SAID SAUDI ARABIA HAS NOT YET DECIDED TO CONTRIBUTE TO IMF SPECIAL FACILITY, BUT MIGHT DO SO QUOTE BUT WE MIGHT YET UNQUOTE. FT ALSO REPORTS COMMENT THAT SAUDI ARABIA WAS NOT AMENABLE TO SCHEMES DESIGNED TO RECYCLE OIL SURPLUSES QUOTE JUST TO HELP THE WESTERN ECONOMY AS SUCH UNQUOTE.

4. COMMENTING ON THE LEVER PLAN, YAMANI SAID HE UNDERSTOOD IT WAS A PERSONAL PLAN, DID NOT REPRESENT THE VIEWS OF THE BRITISH GOVERNMENT, AND CONCLUDED QUOTE I DO NOT HAVE TO PAY MUCH ATTENTION TO PERSONAL VIEWS. UNQUOTE.

5. YAMANI DID NOT THINK CONSUMER NATIONS WOULD ADOPT THE LEVER PLAN AND WARNED THAT ANY SORT OF COLLECTIVE ACTION COULD LEAD TO FURTHER RESTRICTIONS ON PRODUCTION AND SHARP PRICE INCREASES. HOWEVER, HE DID NOT EXPECT ANY REAL PUSH FOR MORE EXPENSIVE CRUDE PRICES WHEN OPEC MEETS IN ECUADOR ON JUNE 15 TO FIX PRICES FOR THE THIRD QUARTER OF THE YEAR.

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